Kentucky WIC EBT Mid-Pilot Review

A discussion of what we know so far and what we hope to learn in the future

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Project Overview

Government Owned Solution

- Build it once - make it configurable and transferable
  - EBT processing software
  - Retailer WIC-only POS
  - System Documentation
  - Training materials
  - Testing plans and procedures
  - Gateway and retailer infrastructure

- Extend the product life cycle
  - Avoid need for contract driven product replacement

Implementation Flexibility

- State specific capabilities, culture, and needs are a deciding factor in implementing a WIC EBT system

- The KY system was developed to:
  - Be operated in-house
  - Be outsourced to a third party (State would still own software)
  - Have functions selectively outsourced

- In KY, WIC EBT hosting and operations is outsourced to CDP

Selective Outsourcing

- EBT operations may be functionality decomposed
  - Systems operations,
  - Software maintenance and support,
  - Retail enablement / management,
  - Customer service,
  - Retailer enablement,
  - Backup and redundancy,
  - Settlement and reconciliation

- Each service may be provided in-house or outsourced

- In KY, the State supports a vendor and clinic help desk that is the first line of support

Synergies between States

- Possibility for "user group" to share some costs
  - Software maintenance and support
  - Transaction Processing
    - A state may offer processing services to other states
    - A group of states may jointly contract with a third party for processing services
  - Backup and redundancy
  - Retailer enablement

An Affordable Processing Environment

- Server based processing hardware

- Commonly available and widely deployed software platforms (e.g. Windows, SQL)

- Up-to-date development techniques and standards (e.g. SOAP, web services, XML, C programming).

- Use of industry standard and commercially available products

- Remote monitoring and management capabilities

- No proprietary products

- Highly Scaleable

Affordable Retailer Enablement

- Standard transaction processes, messages, and business rules
    - WIC EBT looks the same to retailers in all states

- Low cost WIC only POS solution
    - Government owned
    - Satisfies "no cost to retailer" regulation
    - Facilitates project implementation

- Develop commercial infrastructure (will reduce cost for future states)
    - Integrated chains
    - Off-the-shelf WIC capable ECRs
    - WIC capable acquirers

Telecommunications

- Internet based POS transactions

- "No Fee" direct connect transactions

- WIC transaction Gateway
  - Reduce cost of telecommunications
  - Leverage existing TPP capabilities
  - Reduced state involvement in certifications

Customer Service Alternatives

- Being evaluated during pilot

- No participant help desk
    - Call clinic during business hours
    - Business day clinic help desk support
    - No ARU – PIN changes and card replacements done in the clinic

- Retailer Help Desk
    - 10 hour per day, 5 days per week
    - No voice authorization support

Mid-Pilot Review

Significant Dates

- July 15 – System went live

- August 10 – First Card Issued in Barren County (Glasgow)
  - 1,500 Participants

- September 28 – First Card Issued in Warren County (Warren County)
  - 4,500 Participants

Pilot Metrics (as of 10/27/09)

- 6,127 WIC redemptions

- $128,089 settled to retailers

- 28 stores participating
  - Integrated / network connected – 3
  - Integrated / direct connect – 19
  - State supplied / direct connect – 6

- 1,798 Cards issued

Pilot Evaluation

- Preliminary cost evaluation has been completed

- Feedback from staff, retailers and cardholders will be gathered this month

Affordability

What is Affordability

- A WIC agency must be able to operate an EBT system within the constraints of its existing NSA grant.

- FNS has been clear that no new operational funds will be made available simply because a State implements EBT.

- Assistance outside of the NSA grant may be available for implementation.
  - This funding stream is important but is not really a factor in the NSA grant affordability equation.

The Issue

- Kentucky realized early on that it could not afford an online EBT solution based on current (known) market pricing.

- This discussion describes Kentucky's approach to affordability.
  - Working very closely with FNS
  - Flexibility in the approach to EBT
  - Created a Government Owned solution (software and services) that are transferable.

What Can KY. Afford?

- To operate EBT, a State has to make room in its current budget.
  - An analysis of Kentucky's cost for paper issuance produced the following

Cost Center	Monthly Cost	Percent
State staff		
Management and oversight	$2,903	2.2%
Problem resolution, recover over pays, hearings	$23,360	17.9%
Check inspection and reconciliation	$16,458	12.6%
Management, inventory and disbursement	$521	.4%
Equipment, supplies, shipping	$6,985	5.4%
Banking Contractor	$36,000	27.6%
Technology services related to checks (outsource)	$44,150	33.9%
Total cost attributable to check issuance	**$130,377**	

What Doesn't Count?

- WIC retailers are financial winners in the conversion to EBT – however these costs do not accrue to the State agency.

- WIC clinics are expected to see reductions in man power requirements as a result of replacing paper checks with EBT.
    - Savings in staff utilization will most likely be diverted to increased quality of service to WIC participants
    - The State Agency is not likely to see a savings from clinic efficiencies.

What Can KY. Afford?

- From the analysis, Kentucky can afford about $130,000 per month for EBT operations
  - Kentucky provides food benefits to about 84,000 WIC households each month.
  - Putting this in the perspective of typical pricing for EBT services

$130,000 / 84,000 = $1.54 per household per month

  - This amount must cover all State costs related to EBT plus any contracted costs

Kentucky is a Partner
Division of Labor

- Kentucky WIC
  - Cardholder training and customer service – provided by clinic staff
  - Clinic help desk – State is first point of contact
  - Retail help desk – State is first point of contact
  - Vendor training / relations
  - Stand-beside POS equipment – purchase
  - EBT project management and oversight
  - Reconciliation (monitoring and management)
  - Settlement – clearing account, pay ACH & other banking fees

Kentucky is a Partner
Division of Labor

- Technology Provider
  - System operations and maintenance (7x24)
  - Network operations and maintenance (7x24)
  - Direct connect transaction acquiring
  - Generate payments to retailers
  - Software maintenance, support and enhancement
  - Stand-beside POS deployment and servicing
  - Clinic support – second level
  - Retailer support – second level
  - Card inventory management
  - Business continuation (remote backup processing, redundant networks)
  - System Security management

Kentucky is a Partner
Division of Labor

- **Shared Services**
  - Clinic implementation, training and support is shared between the State and the technology provider
  - Retailer certifications and training – both participate

- **Other**
  - Kentucky has contracted with a private sector processor to provide "Gateway" acquiring and switching services.
  - A private sector POS vendor is under contract to the Kentucky technology provider to supply the stand-beside WIC POS hardware and software maintenance / support.

Is it Affordable?

- The costs are preliminary and based on estimates
  - Key estimation parameters need to be refined – for example:
    - How many redemptions will a household do each month?
    - How many stores will require stand beside POS
  - This is new to the technology provider – their business model is close but not firm.

Is it Affordable?

Estimated Monthly Cost of EBT Operations		
State Costs	Low	High
Staff (mgmt, ops, vendor)	$13,275	$27,750
Equipment (POS, PIN Pads)	$7,992	$14,585
Bank Fees	$198	$495
Miscellaneous	$800	$1,000
Sub Total	**$22,265**	**$43,830**
Contracted Costs		
Staff (mgmt, ops, support)	$10,675	$23,825
Sub contract (maint. & monitor)	$3,600	$4,767
Telecommunications	$6,572	$9,647
EBT Cards	$1,588	$2,118
Gateway Fees	$10,800	$15,000
Stand-beside POS support	$3,300	$8,800
Miscellaneous	$700	$1,100
Overhead and G&A	$10,167	$24,797
Sub Total	**$47,102**	**$90.054**
Total cost of EBT operations	**$69,367**	**$133,884**

Is it Affordable?

Because of the preliminary nature of the numbers, estimation results are expressed as a low to high range.

	Monthly Cost		Per Household	
	Low	High	Low	High
State Cost	$ 22,265	$ 43,830	$ 0.27	$ 0.52
Contractor	$ 47,102	$ 90,054	$ 0.56	$ 1.07
Total	$ 69,367	$ 133,884	$ 0.83	$ 1.59

Is it Affordable?

Based on this analysis, Kentucky has a strong sense that:

Yes – Kentucky can afford EBT

Check back next year for a firm set of numbers – after there is a much broader base of operational experience.

Final Thoughts

Questions / Contact Info

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